

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL****FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 3 — 0 3 9

2. STATE:

CA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 2003

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 U.S.C. 1396a

7. FEDERAL BUDGET IMPACT:

a. FFY 2003-04 \$19,795,000

b. FFY 2004-05 \$29,150,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B Pages 3a - 3f *9*9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

10. SUBJECT OF AMENDMENT:

Reimbursement Methodology for Durable Medical Equipment, Prosthetic & Orthotic Appliances,  
and Lab Services

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:The Governor's office does not wish to  
review State Plan Amendments

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Stan Rosenstein

14. TITLE:

Deputy Director, Medical Care Services

15. DATE SUBMITTED:

16. RETURN TO:

Department of Health Services  
Attn: State Plan Coordinator  
1501 Capitol Avenue, MS 4600  
P. O. Box 94234-7320  
Sacramento, CA 94234-7320**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED

December 31, 2003

18. DATE APPROVED

*August 3, 2004*

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL

October 1, 2003

20. SIGNATURE OF REGIONAL OFFICIAL

*[Signature]*

21. TYPED NAME:

Linda Minamoto

22. TITLE:

Associate Regional Administrator

23. REMARKS:

*Pen and ink to #8 agreed to on 8/3/04.*

**REIMBURSEMENT METHODOLOGY FOR ESTABLISHING  
REIMBURSEMENT RATES FOR DURABLE MEDICAL EQUIPMENT,  
ORTHOTIC AND PROSTHETIC APPLIANCES, AND LABORATORY  
SERVICES**

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1. The methodology utilized by the State Agency in establishing reimbursement rates for durable medical equipment as described in State Plan Attachment 3.1-A, paragraph 2a, entitled "Hospital Outpatient Department Services and Organized Outpatient Clinic Services", and paragraph 7c.2, entitled "Home Health Services Durable medical equipment", will be as follows:

- (a) Reimbursement for the rental or purchase of durable medical equipment with a specified maximum allowable rate established by Medicare, except wheelchairs, wheelchair accessories, and wheelchair replacement parts, shall be the lesser of the following:

- (1) The amount billed in accordance with California Code of Regulations, Title 22, section 51008.1, entitled "Upper Billing Limit," that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public, or the net purchase price of the item (as documented in the provider's books and records), plus no more than a 100 percent mark-up. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
    - (2) An amount that does not exceed 80 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar item or service. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)

- (b) Reimbursement for the rental or purchase of a wheelchair, wheelchair accessories, and wheelchair replacement parts with a specified maximum allowable rate established by Medicare shall be the lesser of the following:

- (1) The amount billed in accordance with California Code of Regulations, Title 22, Section 51008.1 entitled "Upper Billing Limit", that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public, or the net purchase price of the item (as documented in the provider's books and records),

plus no more than a 100 percent mark-up. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)

- (2) An amount that does not exceed 100 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar service. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
- (c) Reimbursement for the rental or purchase of all durable medical equipment billed to the Medi-Cal program utilizing HCPCS codes with no specified maximum allowable rate (either non-covered by Medicare or Medicare did not establish a reimbursement rate), except wheelchairs, wheelchair accessories, and wheelchair replacement parts, shall be the least of the following:
  - (1) The amount billed in accordance with California Code of Regulations, Title 22, section 51008.1 entitled "Upper Billing Limit", that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public, or the net purchase price of the item, (as documented in the provider's books and records) plus no more than 100 percent mark-up. (Refer to Reimbursement Methodology Table at page 3d.)
  - (2) The actual acquisition cost plus a markup to be established by the State Agency based on rate studies and periodic review to provide a reasonable reimbursement and maintain adequate access to care. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
  - (3) 80 percent of the manufacturer's suggested retail purchase price. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
- (d) Reimbursement for the rental or purchase of wheelchairs, wheelchair accessories, and wheelchair replacement parts billed to the Medi-Cal program utilizing codes with no specified maximum allowable rate (either non-covered by Medicare or Medicare did not establish a reimbursement rate) shall be the least of the following:

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- (1) The amount billed in accordance with California Code of Regulations, Title 22, section 51008.1 entitled "Upper Billing Limit", that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public, or the net purchase price of the item, (as documented in the provider's books and records) plus no more than 100 percent mark-up. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
  - (2) The actual acquisition cost plus a markup to be established by the State Agency based on rate studies and periodic review to assure adequate reimbursement and access to care. (Refer to Reimbursement Methodology Table at page 3d and 3e.)
  - (3) The manufacturer's suggested retail purchase price reduced by a percentage discount not to exceed 20 percent. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
- (e) Reimbursement for the purchase of all durable medical equipment supplies and accessories without a specified maximum allowable rate (either non-covered by Medicare or Medicare did not establish a reimbursement rate), and which are not described in subparagraphs (a) – (d) above, shall be the lesser of the following:
- (1) The amount billed in accordance with California Code of Regulations, Title 22, Section 51008.1 entitled "Upper Billing Limit", that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public, or the net purchase price of the item (as documented in the provider's books and records) plus no more than 100 percent mark-up. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
  - (2) The acquisition cost for the item, plus a 23 percent markup. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
2. Reimbursement rates for orthotic and prosthetic appliances as described in State Plan Attachment 3.1-A, paragraph 12c, entitled "Prosthetic and Orthotic Appliances," shall not exceed 80 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar item. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)
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3. Reimbursement rates for clinical laboratory or laboratory services as described in State Plan Attachment 3.1-A, paragraph 3, entitled "Laboratory, Radiological, and Radioisotope Services," shall not exceed 80 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar service. (Refer to Reimbursement Methodology Table at pages 3d and 3e.)

### Reimbursement Methodology Table

Paragraph	Effective Date	Percentage	Authority
1(a)(1), (b)(1), (c)(1), (d)(1), (e)(1)	August 28, 2003	No more than 100 percent markup	California Code of Regulations, title 22, section 51008.1
1(a)(2)	October 1, 2003	Does not exceed 80% of the lowest maximum allowance for California established by the federal Medicare program for the same or similar item or service	California Welfare and Institutions Code section 14105.48
1(b)(2)	October 1, 2003	Does not exceed 100% of the lowest maximum allowance for California established by the federal Medicare program for the same or similar item or service	California Welfare and Institutions Code section 14105.48
1(c)(2)	November 1, 2003	The acquisition cost plus a 67% markup	Rate Study
1(c)(3)	November 1, 2003	The manufacturer's suggested retail purchase price reduced by a 20% discount	California Welfare and Institutions Code section 14105.48
1(d)(2)	January 1, 2004	The acquisition cost plus a 67% markup	Rate Study

**Reimbursement Methodology Table**

Item	Effective Date	Percentage	Authority
1(d)(3)	January 1, 2004	The manufacturer's suggested retail purchase price reduced by a percentage discount not to exceed 20%	California Welfare and Institutions Code section 14105.48
1(e)(2)	October 1, 2003	The acquisition cost plus a 23% markup	California Welfare and Institutions Code section 14105.48
2	October 1, 2003	May not exceed 80% of the lowest maximum allowance for California established by the federal Medicare program for the same or similar services	California Welfare and Institutions Code section 14105.21
3	October 1, 2003	May not exceed 80% of the lowest maximum allowance established by the federal Medicare program for the same or similar services	California Welfare and Institutions Code section 14105.22